



# Potential Diamond Anti-Smuggling Activities For Consideration in Sierra Leone

October 2004

Prepared by Management Systems International  
Under USAID Cooperative Agreement No. 636-A-00-03-00003-00

**Sierra Leone**  
47 Wellington Street  
Freetown - Sierra Leone  
Phone: (232)-22-227-7241  
Cell: 232-76-665-797  
e-mail: [dipam@sierratel.sl](mailto:dipam@sierratel.sl)  
[www.peacediamonds.org](http://www.peacediamonds.org)



**U.S.A.**  
600 Water St., SW  
Washington, D.C.  
(202) 484-7170  
e-mail: [mfanning@msi-inc.com](mailto:mfanning@msi-inc.com)  
[www.msiworldwide.com](http://www.msiworldwide.com)

# POTENTIAL DIAMOND ANTI-SMUGGLING ACTIVITIES FOR CONSIDERATION IN SIERRA LEONE

## Table of Contents

<b>1. Executive Summary .....</b>	<b>1</b>
1.1 Immediate efforts:.....	1
1.2 Longer-term efforts .....	2
<b>2. Introduction .....</b>	<b>2</b>
2.1 Purpose .....	2
2.2 Methodology .....	3
<b>3. Current Situation.....</b>	<b>3</b>
3.1 Overview .....	3
3.2 Government Agencies.....	4
Ministry of Mineral Resources (MMR) .....	4
Sierra Leone Police (SLP) .....	5
National Revenue Authority (NRA) .....	6
3.3 Problem: Poor Diamond Information Management .....	6
3.4 Improving Diamond Information Management .....	8
3.5 Problem: Strategic Oversight .....	9
3.6 Solution: The Diamond Taskforce .....	10
3.7 Problem: Sierra Leone's Porous Borders Facilitate Smuggling .....	10
3.8 Solution: Focus on Lungi Airport .....	11
<b>4.0 Managing the Scale of the Challenge .....</b>	<b>12</b>
<b>5.0 The Need for Commitment by GOSL and Donors .....</b>	<b>12</b>
<b>6.0 Accessing Funding for Reform.....</b>	<b>14</b>
<b>7.0 Conclusion.....</b>	<b>14</b>
<b>8.0 Recommendations .....</b>	<b>16</b>
8.1 Immediate efforts:.....	16
8.2 Longer-term efforts .....	17

Appendix 1 .....	18
------------------	----

# Potential Diamond Anti-Smuggling Activities For Consideration in Sierra Leone

## 1. Executive Summary

This report was prepared for the United States Agency for International Development's (USAID's) Diamond Policy and Management (DIPAM) project, implemented by Management Systems International (MSI) under USAID Cooperative Agreement No. 636-A-00-03-00003. Jeffery Corkill, Diamond Security Specialist, bases the report on work especially during his visit to Sierra Leone in October 2004, but also on knowledge gained working as a Diamond Security Specialist over the last year in Sierra Leone.

While donor and Government of Sierra Leone (GOSL) efforts *have* resulted in improvements in diamond management in Sierra Leone, as witnessed by the impressive increase in legal exports, additional targeted activities could help to further reduce smuggling. The following recommendations are divided among those that can be affected in short order and those requiring a longer effort:

### 1.1 Immediate efforts:

1. As the main point of transit for all diamond exporters – legal and illegal – Lungi Airport should be targeted for anti-smuggling initiatives, including:
  - a. Information and awareness campaign of the benefits of diamonds to Sierra Leone, the laws regarding diamond exporting, and the penalties for smuggling;
  - b. Profiling known diamond traders, and engaging in more rigorous surveillance of their movements at Lungi;
  - c. Setting up a priority departure lane for declared diamond dealers, together with a secure departure lounge; and
  - d. Improving cross-agency coordination in airport surveillance.Use this effort at the Airport as a practical example of how stakeholder coordination can work.
2. Establishment of a strategic oversight function for diamond sector regulation and enforcement to promote collaboration among the various government stakeholders and to monitor the effectiveness of fiscal, regulatory, and enforcement mechanisms. The Diamond Taskforce Model, managed by Office of National Security, may be an effective option.
3. Government should deliver funding to the Precious Minerals Intelligence and Investigation Unit (PMIIU), of the Sierra Leone Police, as previously agreed.

4. Efficient, low-cost, and strategically targeted “checking of the checkers” should be instigated by the ACC, Diamond Task Force, or other entity to ensure that checks and balances are being enforced correctly, even among expatriates. For example, areas of concern might include verification of surveillance of known exporters at the airport and independent valuation of exports.
5. Continuing with efforts to promote transparent and legal production and export of artisanal production, as through the Peace Diamond Alliance’s Integrated Diamond Management program. These approaches increasingly place mining and marketing in transparent systems, thus facilitating surveillance of those who choose not to participate.

## **1.2 Longer-term efforts**

1. Improve data collection, coordination, analysis, and decision making in the diamond sector.
2. Improve skills among key enforcement staff of stakeholder agencies.
3. Improve integrity of Sierra Leone’s borders against smuggling.

We recommend that the Technical Committee to the High Level Diamond Steering Committee (HLDSC) consider how to implement these changes as a high priority during the next six months.

## **2. Introduction**

### **2.1 Purpose**

With funding from the United States Agency for International Development (USAID), Management Systems International (MSI) has been working with the Government of Sierra Leone (GOSL) to improve diamond policy and implementation since 1999. MSI is one of a number of international stakeholders focused on formalising the diamond sector and reducing diamond smuggling and the broader illicit diamond trade. MSI serves as Secretariat to the High Level Diamond Steering Committee (HLDSC) – with representatives; from the GOSL Ministries responsible for finance, mining, local government and the police; UK, US, and EU government representatives; the UN, World Bank and the Technical Committee supporting this important GOSL/Donor initiative.

MSI hired the Consultant, Jeffery Corkill, to review the current situation with respect to diamond smuggling with an eye to identifying weaknesses in GOSL diamond sector governance and recommending formal and informal mechanisms to combat diamond smuggling. The Consultant was to prioritise actions for consideration by members of the HLDSC. The emphasis was to be on concrete actions, both formal and informal, that could help establish an

environment that supported that would reduce the instance of smuggling of diamond value.

## **2.2 Methodology**

The Consultant met with a broad cross section of government stakeholders in the diamond sector during his visit to Sierra Leone 11-20 October 2004. This report is based on the outcomes of those meetings; together with the Consultant's own observations, based on the previous years' experience working with key stakeholders in diamond security in Sierra Leone.

The Consultant also visited Koidu and Tongo Fields, in Koidu he met with senior MMR officials and took the opportunity to observe current mining activities in the district. Whilst in Tongo Fields the Consultant sat as an observer on a planned Peace Diamond Alliance (PDA) workshop and heard first hand evidence supporting many of the current concerns of international observers regarding the current state of play in the diamond sector.

## **3. Current Situation**

### **3.1 Overview**

GOSL/donor efforts over the past four years have resulted in some successes in regulating the diamond sector, as evidenced by the steady increase in official exports as well as in the average value per carat of those exports. The UK and US governments both have significant programs in the diamond sector. The growing effectiveness of the HLDSC bodes well for even better synergies in the sector in the future. Nevertheless, most international stakeholders continue to be concerned about the lack of formalisation of the sector and continued smuggling.

Currently there are various weaknesses in the diamond governance environment that may be exploited by elements so inclined, including:

- ❑ The borders of Sierra Leone remain porous. Lack of effective controls at points of entry – in particular Lungi Airport – continue to invite smuggling.
- ❑ Record keeping and information management across the sector is poor. There is little attempt to correlate data collected at one point in the pipeline with that collected at another. There is no effective 'information sharing' regime among or, in many cases, even within agencies. Data collection is incomplete and littered with errors.
- ❑ Corruption and illicit diamond trade are mutually dependent. The apparent failure of the Government to deal with corruption and blatant conflict of interest of many parties associated with the

diamond sector remains a significant and ongoing threat to both the diamond sector and the national economy.

- ❑ Ineffective interdiction of the illicit industry on the part of those agencies tasked with governance of the sector.
- ❑ Lack of an effective program of engagement with legal aspects of the industry.
- ❑ Lack of strategic oversight and collaboration on the part of all stakeholders

The following section will describe the current status of GOSL institutions considered among the key stakeholders in any concerted anti-smuggling effort.

### **3.2 Government Agencies**

While the situation as described may appear dire, there has been and continues to be incremental improvements in capabilities of stakeholder agencies, including individuals within those agencies who are committed to change. However, these patriots require the ongoing commitment of international stakeholders and donors to reinforce their initiatives. If a critical mass of “champions” for reform can be empowered, a “self sustaining” reform momentum may develop, and with that an accelerated rate of change for the better in the sector.

The primary government agencies responsible for governance in the diamond sector are the Ministry of Mineral Resources (MMR), the Sierra Leone Police (SLP), and the National Revenue Authority (NRA). Other agencies with coordination, oversight, or complimentary responsibilities include the Office of National Security (ONS), the Department of Immigration, the Ministry of Finance and the Anti Corruption Commission (ACC). While local Chiefdoms are significant at the local level, primary responsibility for taxation, regulation, and enforcement rests with MMR, SLP and NRA. It is essential that traditional leaders’ role in anti-smuggling remains subordinate to the role of the central government. Diamond smuggling and illicit diamond trading is both a national and international issue. Legitimate regional engagement on issues pertaining to the illicit diamond sector is the sole domain of the central government. Therefore, in most cases of significant illicit diamond sector activity, there will be a need for national approach to intelligence gathering, investigation and interdiction.

#### ***Ministry of Mineral Resources (MMR)***

MMR is charged with administering the minerals sector of Sierra Leone. It issues licenses and monitors compliance with respect to mining, diamond dealing, and diamond exports. MMR also collects data relating to mining production

and diamond trading. MMR is limited in its capacity to carry out its mandate by the following inherent problems:

- An inadequate number of appropriately trained Mines Monitoring Officers.
- An element of systemic corruption at all departmental levels.
- Insufficient collaboration with other government stakeholder agencies.
- Insufficient material financial, and human resources.
- Administration throughout the institution is ineffective.
- Poor information management processes.

Donors have provided some strategic, policy, and legal reform support to the MMR, as well as opportunistic training and limited replacement of infrastructure lost during the war. However, the MMR remains severely under-resourced and is only a few retirements away having virtually no formally trained mining experts on staff. The GOSL has been in negotiations with the World Bank for years on assistance to fortify the sector, which, as yet, has produced no significant investments from the Bank. While some very positive outcomes are being achieved by the ministry, particularly in its willingness to decentralize authority, support increases in community benefits, and comply with the Kimberley Process, there is still a considerable distance to go before the Ministry could be considered to be operating at its full potential. Donor investment is essential.

### ***Sierra Leone Police (SLP)***

The SLP is charged with enforcing the law within the state of Sierra Leone. All illicit or illegal activities occurring within the diamond sector fall, in some form or another, under its mandate. The SLP suffers from the following limitations:

- Inadequate numbers of appropriately trained police personnel.
- Elements of systemic corruption at all rank levels.
- Insufficient material and financial resources.
- Insufficient collaboration with other government stakeholder agencies.
- Lack of trust in the SLP as an institution by either its partners or the public.
- As an institution it has a poor grasp of the nature of the diamond sector, thereby limiting its effectiveness working in the diamond sector.

The SLP, however, has been working to overcome these shortfalls and to develop its capacity to work in the diamond sector. Most notable has been the establishment of the Precious Minerals Intelligence and Investigation Unit (PMIIU), with effect January 2004. That initiative is described in greater detail below. The PMIIU has endeavoured to develop capability, but significant work remains to be done before the unit will represent a serious threat to the illicit diamond trade.



### ***National Revenue Authority (NRA)***

The NRA has a number of revenue collection functions relevant to the diamond sector. Most significant is the responsibility charged to its Gold and Diamond Department (GDD) for the valuation, certification, and collection of revenues from artisanal and small-scale alluvial diamond exports. The NRA is also responsible for the collection of taxes and the Customs and Excise Department, which is charged with administering policy and legislation regulating the import and export of commodities in and out of Sierra Leone, including diamonds. Within the NRA a specialist unit has been established to deal with the extensive smuggling problems facing the country (the Preventive Services and Special Duties Unit.) NRA capacity is constrained by the following issues:

- A lingering perception of under-valuation of exports by the GDD and its external valuator consultant.
- Insufficient collaboration with other government stakeholder agencies.
- Minimal anti-smuggling capability.

Overall, it is the Consultant's assessment that the NRA is a reasonably effective agency, when compared to agencies such as MMR and the SLP. It is the Consultant's assessment that this is in part due to NRA being better funded and having a higher quality personnel base. NRA does have problems in particular with in the Customs environment.

### **3.3 Problem: Poor Diamond Information Management**

MMR collects various data sets relative to the diamond sector, which could assist management and improve knowledge of the sector. However, there are system and process flaws, which provide significant opportunity to disguise corrupt and illicit activity, including:

- The inability to collect accurate production data from the diamond areas.
- The inability to collect accurate diamond trading data from diamond dealers.
- Poor record keeping, administration and information management relating to production, trading and exporting of diamonds.

MMR field offices collect monthly diamond production data from licensed alluvial diamond miners in the various diamond producing areas, which is then forwarded onto MMR in Freetown. There are numerous shortcomings in the current system of data collection. First, not all miners submit reports as required and it appears that no attempt is made to follow up on miners who fail to report. Of course, with many "illegal" mining activities, under-reporting is very significant. Even for the data that are collected, there is no indication that data are effectively verified at any point and it seems that the data collected are of

minimal value in the form in which collected. The only production data reported is the number of diamonds found. Such a gross figure is of little use in improving intelligence on production as it moves towards export. At a minimum, the reports *should* include the number of stones found and weight in carats. It is likely that in the longer term that some of the deficiencies in the current system will be addressed by the “cadastre project” currently funded by the UK Department for International Development (DfID), with some assistance from the World Bank.

The current methodology for reporting diamond trading transactions is essentially adequate. The forms that dealers are required to complete capture adequate data that, with some analysis, could help identify clear production trends in the diamond areas. However, significant flaws in the processes compromise the potential value of the system and data collected. One of the most critical flaws is the current practice of allowing traders to record parcels of diamonds as a mix at a specific weight. This practice is unacceptable, given that the quantities of diamonds being traded and the exact number of stones in a given parcel are not recorded. As is the case with miners, not all dealers submit reports as required, and there is little evidence of follow up on the part of MMR. Obvious errors can be detected in reviewing the data, but no obvious corrective action has been taken.

Finally, the MMR does not appear to appreciate the limits of the data. Consolidated returns are prepared based on this incomplete data and forwarded to Freetown. The returns become accepted as factual evidence of production for any given diamond area. Such conclusions are not sound, as may be illustrated by the Kono District return for September 2004. There are 62 licensed dealers, exporters, and exporter agents in Kono. The consolidated return for September is based on returns by only 25 of those individuals, with total purchased production being 8,537.62Cts. What does this mean? Is diamond production for the month of September 8,537.62Cts? Or, is it substantially greater? Based on the way in which MMR currently processes diamond-trading data, it is impossible to confirm.

GDD also collects and manages diamond data. However, GDD data are better managed and therefore more reliable. Unfortunately, there appears to be no attempt by any agency to reconcile MMR mining and trading data against the GDD data, depriving the enforcement and management agencies valuable intelligence on the true state of legal activity within the diamond sector.

These data failings undermine the potential value of qualitative and quantitative analysis of the diamond sector. Potential negative impacts include:

- Reduced revenue flows to the nation.
- Reduced ability to attract international investment.

- Passive stimulation of the illicit sector.
- Poor data impede criminal investigations of the diamond sector.

### 3.4 Improving Diamond Information Management

Accurate production and trading data is critical to understanding the legal component of the diamond sector, attracting investment, isolating the illicit component of the diamond sector, and reducing opportunities for corrupt activity. Collecting production and production data could be improved as follows:

- Require reports to include numbers of diamonds and weights.
- Establish diamond registration points at which miners could have their winnings tested to confirm they are diamonds. Diamonds could then be weighed and a certificate issued numbering each diamond and its weight. The USAID-funded Peace Diamond Alliance and Kono MMR Office hope to run a pilot of this approach in 2005 with 150 sites, in coordination with the GOSL/DfID/World Bank cadastral work in Kono District.
- A copy of the certificate would be provided to MMR for production records.
- Mining license holders who do not register their winnings are then prioritised for MMO visits or SLP investigation.

Likely benefits include:

- A higher quality of production data becomes available for analysis.
- Information may be subsequently crosschecked against dealer transactions.
- Miners are better informed when selling their goods.
- It may assist miners to be better informed and to negotiate better prices for diamonds offered for sale.
- Aids management of Mines Monitoring Officer (MMO) resources and allows effort to be focused on priority targets.

Collecting production and trading data could be improved as follows:

- Disallow the current practice of recording stone numbers as 'mix', and in all cases require stone counts.
- Follow up dealers who submit reports which are illegible, have mistakes, or fail to submit at all.
- Reconcile production data against trading data and follow up discrepancies.

Likely benefits are:

- Higher quality trading data is available for analysis.
- A greater likelihood of crosschecking trading data against GDD export data is possible.
- Better intelligence to support management and enforcement activities in the diamond sector.

### **3.5 Problem: Strategic Oversight**

Key stakeholders responsible for the governance and management of the diamond sector in Sierra Leone include MMR, SLP, NRA, GDD, ONS, Customs, Immigration and the ACC. Current problems include:

- No formal mechanisms require – or even facilitate – stakeholder collaboration or information sharing.
- Little coordination, or oversight, of activities undertaken by stakeholder agencies occurs, permitting corrupt activity to remain unchecked and unchallenged.
- Lack of strategic oversight has created a series of agency stovepipes in relation to managing the diamond sector. “Grey areas” between the stovepipes provide an inviting environment for corrupt exploitation.
- As a result, conflict emerges between MMR and SLP over roles and responsibilities in relation to enforcement and investigation in the diamond sector;
- Laws that are not harmonised, and create genuine difficulties for collaborative action between the two agencies, exacerbate inter-agency conflict.

Information collected and maintained by various agencies on diamond activities is rarely shared. As previously discussed, the value of information collected by MMR on mining production and trading is diminished because it is not integrated with GDD data. Resulting information, while valuable to MMR from an administrative perspective, could also have significant value to agencies such as SLP and ONS as an aid to law enforcement interdiction and national security requirements.

Strategic oversight provides the opportunity to ensure that collaboration and information sharing occurs, directly improving governance capacity. Strategic oversight enables a more integrated approach to stakeholder engagement with the legal diamond sector, while improving the likelihood of positive outcomes when interdicting the illicit elements of the diamond sector.

### **3.6 Solution: The Diamond Taskforce**

Systemic corruption remains a serious problem for the government. Lack of strategic oversight enables corruption to continue, if not flourish, within the diamond sector and the stakeholder agencies. A strategic oversight model, the “Diamond Strategic Taskforce”, to be managed by ONS, was presented to stakeholders early in 2004. A stakeholder meeting in June acknowledged the need for a strategic oversight mechanism and agreed the Diamond Strategic Taskforce model was sound. Furthermore at the HLDSC meeting of 11 June it was informally agreed by stakeholders once again that the concept was one which should be supported. The purpose of the Taskforce is to achieve a comprehensive government approach to diamond sector management. A conceptual model is attached as Appendix 1.

In addition to the government stakeholders there are international donor agencies that have significant direct and indirect involvement in the diamond sector governance program. While there is effective collaboration on the part of the donor programs that have direct involvement with the diamond sector, such as through the HLDSC, there needs to be a higher level of collaboration between those donor programs and the donor programs with more indirect involvement.

### **3.7 Problem: Sierra Leone’s Porous Borders Facilitate Smuggling**

The security of Sierra Leone is seriously compromised due to the very porous nature of its borders. Smuggling of all variety of commodities is a serious problem and is endemic throughout the length of its land borders with both Guinea and Liberia. Significant coastal smuggling also occurs and remains largely uncontrolled. While border protection is a high priority of the government, and significant resources are slowly being committed to battling the problem, smuggling is expected to remain a significant problem in the short-to medium-term. Diamond smuggling, both in and out of the country, is continuing, together with the associated smuggling of currency to finance diamond purchases.

While there is information suggesting significant levels of diamond movement across land borders, it appears that Lungi International Airport is the most significant point through which diamonds are smuggled. There is ample evidence of European and Asian diamond dealers arriving at Lungi and travelling around the country purchasing diamonds. They then depart through Lungi carrying diamond parcels without being identified or intercepted.

All stakeholders responsible for governance and management of the diamond sector maintain a presence at Lungi. Due to international aviation regulations and security requirements a degree of collaboration exists at the airport. However, there is rarely ever any early warning of potential dealers arriving in the country provided to SLP or MMR. Illicit outgoing shipments of diamonds are

rarely intercepted. Where they are, jurisdictional disputes between SLP and MMR are common and complicated by ministerial intervention and perceptions of corruption and conflicts of interest.

### **3.8 Solution: Focus on Lungi Airport**

Lungi Airport is the principle point of entry and exit for diamond dealers wanting to do business in Sierra Leone. Sierra Leone wants to attract legal and ethical dealers to Sierra Leone while deterring illicit trade in the country. Lungi Airport is ideally situated to promote the government message on diamonds to all potential diamond dealers on arrival, and to lead a nation-wide effort at more proactive anti-smuggling efforts. The institution of a 'one stop shop' could significantly enhance the capacity of stakeholders to better manage the diamond trade on arrival and exit from the country. Instituting a 'one stop shop' would require the following:

- Developing and displaying signage at the airport to deliver the government message that the diamond trade is important to Sierra Leone, that unlicensed diamond trading is a serious crime, and that unlicensed possession of diamonds has a mandatory sentence of two years in a Sierra Leone jail, even for foreigners.
- Producing and distributing a brochure to people entering the country which details laws relating to diamond dealing and listing stakeholder agencies with points of contact for more information.
- Establishing a diamond information office behind the immigration checkpoint to provide information to persons intending to purchase diamonds while in Sierra Leone.
- Equipping that office with information on likely diamond traders and sharing that information with Customs and Immigration so that they can for effectively target surveillance.
- Immigration officers trained to ask all persons entering or leaving the country if they are planning to or have purchased diamonds in Sierra Leone. Directing those who do intend to do so to the diamond information office.
- Setting up a priority departure lane for declared diamond dealers together with a secure departure lounge.
- Development of standard operating procedures for all stakeholders on management of declared diamond traders and suspect illicit traders.

Likely benefits are:

- Delivers an image of Sierra Leone as an attractive, professional, and legal diamond marketplace.

- Demonstrates government commitment to developing a transparent diamond industry in compliance with the spirit of the Kimberley process.
- May act as a deterrent to potential illicit diamond dealers and encourage them into the legal market place.
- Will provide an opportunity for stakeholders to collect intelligence on the diamond trade.
- Would provide a finite environment for implementing practically the stakeholder cooperation needed nationally.

While the establishment of a 'one stop shop' is likely to deliver significant benefit to all stakeholders it is unlikely to be adopted without donor assistance and pressure.

#### **4.0 Managing the Scale of the Challenge**

Stemming the smuggling of artisanal diamond value, with upwards of 5,000 mines, and hundreds of exporters, agents, dealers, and related marketing staff spread over vast areas is a daunting task. Clearly, reliance on top-down enforcement *only* in a country with as little budget as Sierra Leone is not feasible – even if significant donor funds are provided. At the same time anti-smuggling measures are implemented, as described above, we must proactively encourage “clean” production and marketing systems that would enable us to track diamonds from Earth to Export. The Peace Diamond Alliance’s (PDA’s) Integrated Diamond Management program, to be pilot tested in Kono District, is a welcome beginning in that direction. Community-based efforts at self-regulation offer a related approach. For example, the PDA has discussed local monitoring of mining and marketing, but needs to put that discussion into action. Similarly, the Executive Committee of the PDA in Tongo Fields has already begun public/private discussions with the large number of dealers operating illegally there. Significant progress has been made at the community level, but more additional work is needed.

If more miners and marketing units can be brought squarely into the formal system it will be possible to isolate those who do not participate. Surveillance and enforcement activities can then be targeted much more precisely and at far lower cost.

#### **5.0 The Need for Commitment by GOSL and Donors**

There is a common refrain by many within the various Government agencies tasked with responsibility for oversight of the diamond sector, that it is the lack of resources that hinders their ability to operate effectively. Of course, in a country rebounding from ten years of civil war, resource constraints are real and binding, and donors can help in this regard. On the other hand, many donors feel that



this attitude often masks a deeper unwillingness by certain officials to use those assets that are available in a more effective manner. It seems to them that there is always an excuse about why something has not been done, even to a basic level, and always a reason why another vehicle or another person would enable them to complete the task. The result can be paralysis where donors are loathe to invest in what they see as corrupt systems, and government officials resent the lack of material support to do their jobs effectively.

These difficulties are further exacerbated by a lack of effective collaboration among the various agencies. A proposal to government has been tabled that to develop a spirit of collaboration amongst the various government stakeholders, a Strategic Diamond Taskforce should be established, as described above. Such a Taskforce would function as a coordinating mechanism for information sharing, operational collaboration among stakeholders, and accountability. Meetings with stakeholders in June 2004 demonstrated a high level of support for creation of a Taskforce. It has yet to be established, perhaps further evidence of a donor/government stalemate and lack of commitment on both sides to change.

Consider a concrete example. In response both to international pressure, and in order to combat crime in the diamond sector, the Sierra Leone Police (SLP) has, with international donor support, established a Precious Minerals Intelligence and Investigation Unit (PMIIU). The unit has not yet become an effective means of deterrence to illicit or illegal activity within the diamond sector. Much of the reason for this failure can be attributed to the fact that to date the unit has not been provided with the resources necessary to undertake the task for which it has been established. Established with assistance from the United Nations Mission to Sierra Leone (UNAMSIL) since July 2004, the unit has been operating with no direct donor assistance.<sup>1</sup> In addition, the OIC has received mentoring support as part of the CCSSP management training being provided to all middle ranking officers. However, the lack of a dedicated Adviser has diminished the profile of the unit in an environment where there are limited resources and competing priorities. As a result, the unit has failed to develop operational capacity, in part due to the lack of external support and exacerbated by the failure of the government to deliver operational funding required as agreed at the HLDSC meeting of 4 June 2004.

---

<sup>1</sup> Indirect assistance was provided by the DFID-sponsored (CCSSP) program, which trained analysts within the PMIIU in basic intelligence training being provided to the broader Crime Intelligence Unit.



## 6.0 Accessing Funding for Reform

The High Level Diamond Steering Committee (HLDSC) informally agreed that funding of the PMIU unit should be made available. Initial funding could certainly come from donors, but the HLDSC also suggested that ongoing funding could possibly be delivered from the three percent diamond royalty on artisanal exports. While that remains a feasible option, research during this consultancy indicated that the HLDSC should consider casting the revenue net more widely. For example, the diamond sector has access to over \$2 million annually in other revenue streams related to diamond mining (taxes on kimberlite production, exploration and prospecting leases, dealers' licenses, etc.) The HLDSC should consider earmarking some of those revenues to fund enforcement activities such as the PMIU and Diamond Strategic Taskforce.

Another potential, and as yet unrealised, source for funding regulation and enforcement initiatives would be through penalties and confiscations through more successful enforcement. The legislation currently exists to enable such a funding program. As diamonds are confiscated through enforcement, related value could be earmarked to in the first instance recover investigative and enforcement costs incurred and where applicable pay for additional enforcement effort.

## 7.0 Conclusion

It is clear that while incremental improvements are occurring in the diamond governance program opportunities for criminal exploitation within the diamond sector remain. Smuggling of diamonds in and out of Sierra Leone, subverting of the integrity of the Kimberley Process, remains a relatively low-risk and low-cost option for anyone with the inclination to do so. In fairness, similar challenges are most likely present in other post-conflict African alluvial diamond producers.

Given the ill-managed diamond data collection and information processing systems, lack of coordination among stakeholders, corruption, and lack of incentives for "clean" production and marketing, there is little compulsion or incentive for shifting illicit activity into the legal pipeline. In spite of these challenges, however, international monitoring and compulsion via the requirements of the Kimberley Process have helped shift substantial amounts of production into the legal pipeline. Constantly increasing GDD export figures confirm this.

What isn't known, however, is how export data correlates with production and in particular with the top end of production. A detailed program of analysis could over time establish some genuine benchmarks that could determine real levels of participation in the legal sector while also providing indicators of illicit activity

that could support investigation and prosecution of principles operating in the illicit market place. To do so requires a level of strategic oversight and collaboration that currently does not exist. What does exist is a degree of consensus among stakeholders that a strategic oversight mechanism is required. It is critical that donors ensure that the current consensus is translated into action so that a strategic oversight mechanism is established.

Whenever and wherever the issue of diamond governance is raised the issues of corruption and conflict of interest quickly follow. It is clear that the issues cannot be separated and it is therefore important that a close relationship with the Anti-Corruption Commission and donors is developed. It is reasonable to suggest that some of the reluctance by stakeholders to change or improve data collection and information management is due to the potential for exposure of corrupt activity or incompetence. Since corruption infects all stakeholder agencies and the whole of the diamond sector (and elsewhere in Sierra Leone, for that matter), it is impossible to eradicate completely the problem in the short- to medium-term. However, it is critical that all decisions taken in relation to improved governance should be done so with due regard to the incorporation of appropriate anti-corruption measures. In addition it is important that the various bodies of law and legislation relating to all aspects of the diamond sector are harmonised in order to eliminate the opportunities for unethical – as opposed to simply corrupt – manipulation of the system.

The MMR, NRA and SLP are the stakeholder agencies within which the operational capacity for management and enforcement of the law as it relates to the diamond sector. While collaboration among agencies is beginning to occur, to date it has been more decorative than substantive. The lack of trust between SLP and MMR is particularly disconcerting. These relationships will improve if harmonisation of laws, regulations, and enforcement practices becomes a reality. For MMR it is critical that professional competency of the MMO's is developed as a priority.

Within the SLP a program to develop professional competency appropriate to the diamond sector has already commenced, the result of which has been the formation of the PMIU. However, genuine operational functionality is still some way off. The PMIU requires in the short- to medium-term appropriate funding to enable it to meet its operational objectives. In addition, the PMIU requires an ongoing program of professional development and training, a function previously provided by UNAMSIL, which appears to have faltered in recent months.

The lack of effective border control remains a major obstacle to achieving effective governance of the diamond sector. While safeguarding the country's land borders is a long-term challenge, dramatic changes in the main port of smuggling, Lungi airport, can be fostered immediately. The stakeholder agencies with a presence at Lungi airport have yet to establish effective control

of the airport. Lungi is the first and last port of call for the majority of diamond dealers operating in Sierra Leone, legal or otherwise. The airport is, therefore, the first and last opportunity for the government to exert its influence on the attitudes and behaviour of participants in the diamond sector.

Improvement in local diamond governance is being achieved, though slowly and in small increments. Significant further improvements could be achieved however to do so is going to require sustained and steady pressure being applied by the international donor community. USAID's Diamond Sector Reform program as a part of that donor community support has made some significant achievements and is well positioned to initiate further improvements in the governance program.

## **8.0 Recommendations**

We recommend that the Technical Committee to the High Level Diamond Steering Committee (HLDSC) consider how to implement these changes as a high priority during the next six months:

### **8.1 Immediate efforts:**

1. As the main point of transit for all diamond exporters – legal and illegal – Lungi Airport should be targeted for anti-smuggling initiatives, including:
  - a. Information and awareness campaign of the benefits of diamonds to Sierra Leone, the laws regarding diamond exporting, and the penalties for smuggling;
  - b. Profiling known diamond traders, and engaging in more rigorous surveillance of their movements at Lungi;
  - c. Setting up a priority departure lane for declared diamond dealers, together with a secure departure lounge; and
  - d. Improving cross-agency coordination in airport surveillance.Use this effort as a practical example of how stakeholder coordination can work.
2. Establishment of a strategic oversight function for diamond sector regulation and enforcement to promote collaboration among the various government stakeholders and to monitor the effectiveness of fiscal, regulatory, and enforcement mechanisms. The Diamond Taskforce Model, managed by Office of National Security, may be an effective option.
3. Government deliver funding to the Precious Minerals Intelligence and Investigation Unit, of the Sierra Leone Policy, as previously agreed.

4. Efficient, low-cost, and strategically targeted “checking of the checkers” should be instigated by the ACC, Diamond Task Force, or other entity to ensure that checks and balances are being enforced correctly, even among expatriates. Likely areas of concern would be surveillance of known exporters at the airport and independent valuation of exports.
5. Continuing with efforts to promote transparent and legal production and export of artisanal production, as through the Peace Diamond Alliance’s Integrated Diamond Management program. These approaches increasingly place mining and marketing in transparent systems, thus facilitating surveillance of those who choose not to participate.

## **8.2 Longer-term efforts**

1. Improving data collection, coordination, analysis, and decision making in the diamond sector.
2. Improve skills among key enforcement staff of stakeholder agencies;
3. Improving integrity of Sierra Leone’s borders against smuggling.

## Appendix 1

